

ACT 21

S.B. NO. 562

A Bill for an Act Relating to Terminable Rental Adjustment Clause Vehicle Leases.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to make it clear that motor vehicle fleet leasing contracts that contain Terminable Rental Adjustment Clause provisions are true leases and should be accorded the same treatment in the area of bankruptcy that currently exists in the area of taxation. See, e.g., In re Owen, 221 B.R. 56, 63 (Bk.N.D.N.Y. 1998). This makes the law of Hawaii consistent with the law of the great majority of other states.

SECTION 2. Chapter 286, Hawaii Revised Statutes, is amended by adding a new section to part III to be appropriately designated and to read as follows:

**“§286- Terminable rental adjustment clause vehicle leases.** In the case of motor vehicles or trailers, notwithstanding any other provision of law, a transaction does not create a sale or security interest merely because it provides that the rental price is permitted or required to be adjusted under the agreement, either

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upward or downward, by reference to the amount realized upon sale or other disposition of the motor vehicle or trailer.”

SECTION 3. New statutory material is underscored.<sup>1</sup>

SECTION 4. This Act shall take effect upon its approval.

(Approved April 16, 2003.)

### **Note**

1. Edited pursuant to HRS §23G-16.5.